

Message Text

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20

ACTION EA-14

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 INT-08 SCEM-02 DODE-00 PA-04 USIA-15 PRS-01

CPR-02 DRC-01 /164 W

----- 003360

O R 010700Z DEC 73

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9768

INFO AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL MELBOURE IMMEDIATE

AMEMBASSY SINGAPORE

AMCONSUL SURABAYA

AMEMBASSY TOKYO

LIMITED OFFICIAL USE JAKARTA 14047

MELBOURNE FOR GOVERNOR REGAN'S PARTY

DEPT PASS TO EXIM

HONG KONG FOR RAND (EXIM)

E.9. 11652: NA

TAGS: ENRG, ID

SUBJECT: LNG SALE TO JAPAN

REF: A. JAKARTA 14040 (NOTAL); B. TOKYO 15570 (NOTAL)

1. FOLLOWING IS TEXT OF PRELIMINARY RPT PRELIMINARY PRESS RELEASE
(NONESSENTIAL WORDS OMITTED) RE: SALE 7.5 MILLION TONS
INDONESIAN LNG TO JAPAN FOR 20-YEAR PERIOD. FINAL VERSION PRESS
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RELEASE BEING PREPARED FOR DISTRIBUTION MONDAY DEC 3 FOLLOWING
SIGNING CEREMONY.

2. BEGIN TEXT. CONTRACT FOR LARGEST SALE OF LIQUEFIED NATURAL

GAS (LNG) EVER MADE WAS SIGNED TODAY (DEC 3) IN JAKARTA BY PERTAMINA, THE INDONESIAN STATE OIL AND GAS ENTERPRISE, AND FIVE MAJOR JAPANESE UTILITY AND INDUSTRIAL COMPANIES. 7.5 MILLION TONS OF INDONESIAN LNG PER YEAR (EQUIVALENT TO 180,000 B/D OF CRUDE OIL) WILL BE SUPPLIED OVER 20-YEAR PERIOD TO CHUBU ELECTRIC POWER CO., KANSAI ELECTRIC POWER CO., KYUSHU ELECTRIC POWER CO., NIPPON STEEL CORP. AND OSAKA GAS CO. CAPITAL INVESTMENT OF OVER 3 BILLION DOLLARS, LARGEST IN HISTORY OF ENERGY INDUSTRY, WILL BE REQUIRED FOR OVERALL IMPLEMENTATION OF PROJECT.

3. LT. GEN. DR. H. IBNU SUTOWO, PRESIDENT-DIRECTOR OF PERTAMINA, ANNOUNCED BY THE BLESSING OF GOLD, THE ALMIGHTY, HIS SIGNING OF CONTRACT WITH MR.S. YOSHIMURA, PRES. OF KANSAI ELECTRIC POWER CO., MR. O. KOTO, PRES. OF CHUBU ELECTRIC POWER CO., MR. S. NAGAKURA, EXEC. V.P. OF KYUSHU ELECTRIC POWER CO., MR. E. SAITO, DIRECTOR AND EXEC. V.P. OF NIPPON STEEL CORP. AND MR. H. YASUDA, PRES. OF OSAKA GAS CO., LTD. DR. SUTOWO SAID THAT THE CONTRACT WAS FURTHER EVIDENCE OF THE STRONG EFFORT OF INDONESIA TO DEVELOP ITS RESOURCES AND SUPPLY MORE AND MORE NON-POLLUTING FUEL AT A TIME WHEN WORLDWIDE DEMANDS FOR ENERGY SUPPLIES OF ALL KINDS ARE INCREASING DRAMATICALLY.

4. BADAH FIELD IN EAST KALIMANTAN, UNDER PRODUCTION SHARING CONTRACT BETWEEN PERTAMINA AND HUFFCO GROUP, AND ARUN FIELD IN ACEH, SUMATRA, UNDER PRODUCTION SHARING CONTRACT BETWEEN PERTAMINA AND MOBILE OIL INDONESIA INC., WILL BE SOURCES OF NATURAL GAS SUPPLIES TO BE MANUFACTURED INTO LNG. ARUN FIELD CONTAINS ONE OF LARGEST KNOWN RESERVES OF NATURAL GAS IN ASIA. MOBIL AND HUFFCO GROUP WILL EACH SUPPLY SHARE OF LNG FOR SALE TO JAPANESE BUYERS UNDER THE PERTAMINA CONTRACT.

5. DOCTOR SUTOWO STATED THAT INDONESIA WILL BENEFIT FROM INCREASED EXPORT VALUE OF THE LNG IN TODAY'S ENERGY MARKET. HE PRAISED SPIRIT OF COOPERATION AND HARD WORK DISPLAYED BY REPS OF INDONESIA, JAPANESE AND INTERNATIONAL LIMITED OFFICIAL USE
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COMPANIES INVOLVED IN PROJECT THROUGHOUT COURSE OF AMICABLE NEGOTIATIONS CONDUCTED AT NUMEROUS LOCATIONS AROUND WORLD. COOPERATION AND EFFORT OF ALL THE PARTIES ENABLE THIS VAST PROJECT TO REACH ITS PRESENT STAGE FASTER THAN ANY PREVIOUS ENERGY PROJECT OF SIMILAR COMPLEXITY.

6. S. YOSHIMURA, PRES. OF KANSIA ELECTRIC POWER CO. STATED ON BEHALF OF BUYERS THAT SUCCESSFUL CONCLUSION OF CONTRACT IN SUCH A SMOOTH AND SATISFACTORY MANNER WAS MADE POSSIBLE BY NLAGH AFDK AND ENTHUSIASM OF ALL PARTIES INVOLVED IN PROJECT. NEGOTIATIONS OF THE CONTRACT WERE AT ALL TIMES CARRIED ON IN A FRIENDLY ATMOSPHERE OF MUTUAL TRUST AND UNDERSTANDING AND

ENDED UP BY GREATLY ENHANCED SPIRIT OF INTERNATIONAL COOPERATION. MR. YOSHIMURA FURTHER STATED THAT BUYERS WERE ESPECIALLY GRATIFIED THAT THE CONTRACT FOR INDONESIA LNG WOULD ASSURE A STABLE AND LONG-TERM SUPPLY OF POLLUTION FREE ENERGY TO JAPAN. IN CONCLUSION, MR. YOSHIMURA EXPRESSED BELIEF THAT CONTRACT SIGNING WILL BE NEW MILESTONE IN STRENGTHENING TIES OF FRIENDSHIP BETWEEN INDONESIAN AND JAPANESE PEOPLE AND WILL BENEFIT AND INSURE CONTINUING PROSPERITY FOR BOTH NATIONS.

7. LIQUEFACTION PLANTS, UTILIZING MOST ADVANCED AND EFFICIENT CRYOGENIC EQUIPMENT AVAILABLE, WILL BE CONSTRUCTED IN EAST KALIMANTAN AND ACEH. NATURAL GAS WILL BE LIQUEFIED AT A TEMPERATURE OF MINUS 260 DEGREES F IN FACILITIES HAVING CAPACITIES WHICH ARE AMONG THE LARGEST IN THE WORLD. SPECIALLY BUILT 125,000 CUBIC METER LNG CARRIERS WILL BE USED TO DELIVER LNG TO SEVERAL LOCATIONS IN SOUTHERN HONSHU AND NORTHERN KYUSHU, JAPAN, WHERE IT WILL BE RECEIVED AND REGASIFIED AT BUYERS' FACILITIES.

8. DELIVERIES OF LNG WILL COMMENCE IN EARLY 1977. THE LNG WILL PROVIDE A SOURCE OF CLEAN ENERGY FOR ELECTRIC POWER GENERATION AS WELL AS FOR HOUSEHOLD AND INDUSTRIAL CONSUMPTION.

9. CONTRACT SIGNING WAS WITNESSED BY MR. Y. TSUJI, PRES. OF NISSHO-IWAI CO. AND MR. S. HIGASHI, PRES. OF FAR EAST OIL TRADING CO., WHOSE COMPANIES ASSISTED IN NEGOTIATIONS. ALSO PRESENT WERE MR. E. S. CHECKET, REPRESENTING MOBIL OIL CORP. AND MR. ROY M. HUFFINGTON, REPRESENTING HUFFCO GROUP. AFTER THE CONTRACT SIGNING PRESIDENT SOEHARTO RECEIVED SENIOR LIMITED OFFICIAL USE
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REPRESENTATIVES OF THE JAPANESE COMPANIES AT THE MERDEKA PALACE FOR AN EXCHANGE OF GREETINGS.

10. CERTAIN ASPECTS OF PROJECT ARE SUBJECT TO VARIOUS APPROVALS OF JAPANESE AND INDONESIAN GOVERNMENTS, AND COMPLETION OF DETAILS OF THE FINANCING ARRANGEMENTS ARE NOW UNDER DISCUSSION.

11. PRODUCTION SHARING CONTRACTORS WORKING IN COOPERATION WITH PERTAMINA IN MANUFACTURE OF LNG AND CONSTRUCTION AND OPERATION OF LNG MANUFACTURING FACILITIES ARE MOBIL OIL INDONESIA INC., A WHOLLY OWNED SUBSIDIARY OF MOBIL OIL CORPORATION, AND THE HUFFCO GROUP, COMPRISED OF ROY M. HUFFINGTON INC., AS OPERATOR, AND VIRGINIA INTERNATIONAL CO., AUSTRAL PAMROLEUM GASS CORP., A SUBSIDIARY OF AUSTRAL OIL CO., GOLDEN EAGLE INDONESIA, LTD., SUBSIDIARY OF ULTRAMAR CO., LTD., UNION TEXAS FAREAST CORP., SUBSIDIARY OF ALLIED CHEMICAL KBP.,

AND UNIVERSE TANKSHIPS INC. EQUITY PARTICIPATION BY JAPANESE COMPANIES IN THESE FACILITIES IS CURRENTLY UNDER DISCUSSION.

12. TRANSPORTATION OF LNG TO JAPAN WILL BE PROVIDED UNDER AN AGREEMENT BETWEEN PERTAMINA AND BURMAST EAST SHIPPING CORP., A SUBSIDIARY OF BURMAH OIL CO. OF THE UNITED KINGDOM. VESSELS TO BE USED WILL BE OF MOSS ROSENBERG DESIGN AND WILL BE CONSTRUCTED BY GENERAL DYNAMICS AT ITS QUINCY YARD IN U.S. THE LIQUEFACTION PROCESS HAS BEEN SELECTED BY PERTAMINA AND ITS ENGINEERING ADVISORS, BECHTEL INC. AND MOBIL RESEARCH AND DEVELOPMENT CORP. CONTRACTS FOR PROCESS DESIGN AND ENGINEERING HAS BEEN SIGNED WITH AIR PRODUCTS AND CHEMICALS INC. OF U.S. UNDER CONTRACT SIGNED TODAY AND EARLIER SHIPMENT TO SUPPLY LNG TO THE UNITED STATES FROM THE ARUN FIELD, LNG PRODUCTION FROM INDONESIA WILL REACH 12 MILLION TONS PER YEAR BY 1980. IT IS ANTICIPATED THAT DEVELOPMENT OF INDONESIA'S POTENTIAL ADDITIONAL NATURAL GAS RESERVES WILL RESULT IN FURTHER LNG PRODUCTION CAPACITY IN THE FUTURE. END TEXT.

13. DEPT MAY WISH PASS PRESS RELEASE TO: 1) MARAD AND SUBSTANCE TO 2) RAY TODD, PACIFIC LIGHTING CORP., LOS ANGELES, TELEPHONE 213-689-6538 AND TO 3) VOA.
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Message Attributes

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